United Nations DP/OPS/2017/1

Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services

Distr.: General
9 December 2016

Original: English

First regular session 2017
30 January – 3 February 2017, New York
Item 8 of the provisional agenda
Recommendations of the Board of Auditors

Report on the implementation of the recommendations of the Board of Auditors for the year 2015

Summary

UNOPS is pleased to respond to the recommendations made in the report of the Board of Auditors (A/71/5/Add.11) and to provide an update on the current status of implementation. The report of the Board of Auditors for the year ended 31 December 2015 was unqualified. UNOPS management continues to emphasize the importance of addressing audit concerns, to which the present document testifies by highlighting the current status and management plan for the audit recommendations yet to be implemented.

Elements of a decision

According to the assessment by UNOPS, some progress has been achieved in the implementation of the various recommendations made for the year ended 31 December 2015 and efforts are currently in progress to ensure that the remaining recommendations are successfully implemented. The Executive Board may wish to acknowledge that because the recommendations were issued to UNOPS towards the end of July 2016 and because many of them require long-term attention, UNOPS will need to work beyond the financial year 2016 to implement them successfully.

16-21964 (E) 161216

Please recycle

Contents

		Page
I.	UNOPS summary response to the United Nations Board of Auditors	3
	A. Background	3
	B. Present challenges and measures to address them	4
II.	UNOPS responses to the United Nations Board of Auditors recommendations	5
III.	Conclusion	5
	Annex 1. Analysis followed by comments on the status of implementation of the Board of Auditors recommendations for the financial period ended 31 December 2015 (A/71/5/Add.11)	6
	Annex 2. Comments on the status of implementation of the recommendations of the Board of Auditors for prior years	12

I. UNOPS summary response to the United Nations Board of Auditors

A. Background

1. UNOPS is a self-financing entity of the United Nations system, delivering sustainable infrastructure, procurement and project management services to a wide range of partners. During 2016, UNOPS launched a governance, risk and compliance framework with the aim of simplifying its governance structure and to further empower UNOPS managers. Also during the year, a revised legislative framework and a governance model were promulgated. Moreover, a Legislative Framework Committee was established, comprising members of senior management representing the key components of governance, risk and compliance. The Committee will guide the revision of UNOPS policies and procedures. Further, the opportunity and engagement acceptance process was strengthened and integrated into UNOPS' new enterprise resource planning (ERP) system, 'oneUNOPS'. The roll-out of the enterprise risk management (ERM) system at the country, regional and corporate levels, including a UNOPS risk profile, and the integration into oneUNOPS will continue in 2017.

2. UNOPS understands and shares the importance that its partners place on sustainability. UNOPS has made a firm commitment to integrate social, environmental, economic and national capacity considerations in every project that it delivers. In this regard, UNOPS published and launched its first-ever sustainability report based on 2015 results titled 'Our Common World', in August 2016 in four official United Nations languages – English, Spanish, French and Arabic – with more than 10,000 copies in circulation. It is the culmination of a reporting process that started in 2015 based on the Global Reporting Initiative (GRI) principles. The report, combined with the annual UNOPS brochure that includes annual financial results, is also the first in the United Nations system to adapt to an international sustainability reporting standard being used by many organizations in the private sector.

3. UNOPS launched its new ERP system on 1 January 2016 with the aim of transforming its operations into a smarter, better integrated set of processes and systems, enhancing its ability to provide efficient operational support to partners, and providing a more fitting system for the International Public Sector Accounting Standards (IPSAS) it adopted in 2012. The ERP system will also improve UNOPS' agility and allow it to further expand the provision of streamlined, high-quality and cost-effective transactional services in response to the operational needs of United Nations agencies and Member States.

4. UNOPS maintained its global International Organization for Standardization (ISO) 9001 Quality Management System certification and ISO 14001 Environmental Management System certification in Copenhagen, Kosovo,[1] State of Palestine, Afghanistan and Ski Lanka, and added two new countries, Myanmar and Ghana.

[1] All references to Kosovo in this report should be understood to be in the context of United Nations Security Council resolution 1244 (1999).

5. In 2016 UNOPS also maintained its certification to the Occupational Health and Safety Advisory Services (OHSAS) 18001, the internationally applied standard for occupational health and safety management systems. UNOPS operations in Denmark, Kosovo and the State of Palestine continue to meet the OHSAS 18001 standard and coverage was extended to include Myanmar in 2016. UNOPS is committed to reducing the health and safety risks that its personnel and contractors face when working on infrastructure projects, some of its most potentially hazardous activities.

B. Present challenges and measures to address them

6. UNOPS managed to exceed the operational reserves target at the end of the financial year 2015. The formula for calculating the operational reserve requirements, approved by the Executive Board in 2013, stipulated that the operational reserve should be equivalent to four months average of the administrative expenditure for the last three years of operation. The operational reserves requirement as of 31 December 2015 was $20.1 million. For the year ended 31 December 2015, the actual operational reserves balance was $99.2 million, which exceeded the minimum required level. Investment projects that are in line with the organization's goals are being identified for which a portion of this reserve will be utilized.

7. End-of-service and post-retirement benefits for both management-funded and project-funded staff as at 31 December 2015 amounted to $70.85 million ($54.43 million for after-service health insurance and $16.42 million for repatriation grants). The Executive Board may wish to acknowledge that all UNOPS end-of-service and post-retirement benefit liabilities are fully funded as at 31 December 2015.

Issues to watch and risks to mitigate

8. UNOPS continues to maintain narrow operational margins, keeping its fees low so as to pass on the maximum value and benefit to its partners and beneficiaries. UNOPS actively seeks to further improve efficiency. The average global management fee for 2015 was approximately 5.2 per cent.

9. While the organization's operational reserves exist as a risk-mitigating measure, it should be noted that unforeseen catastrophic events, such as punitive legal damages being awarded or significant fraud, could reverse much of the gains established during the past nine years. In particular, the UNOPS business model makes it vulnerable to certain operational risks. To reduce its exposure further, in 2016 as part of the governance, risk and compliance framework, UNOPS launched a new ERM system with the overall aim to facilitate risk-informed decision-making across all levels of the organization. The opportunity and engagement acceptance process has been strengthened and integrated into the new oneUNOPS system.

10. More than 250 licences for the Institution of Occupational Safety and Health (IOSH) certification online training were issued in 2016 to UNOPS personnel and contractors, as part of the organizational capacity-building effort. In addition, more than 70 UNOPS personnel and contractors participated in face-to-face training on health, safety and environment in Afghanistan, Democratic Republic of the Congo, Denmark, Ethiopia, Ghana and Tunisia. These workshops empower participants to implement safety and environmentally sound measures in their projects and offices. Moreover, awareness of occupational

health and safety among UNOPS personnel was addressed through a global 10-week campaign.

II. UNOPS responses to the United Nations Board of Auditors recommendations

11. In its report for the year ended 31 December 2015 (A/71/5/Add.11), the Board of Auditors issued six main recommendations classified as high-priority and nine recommendations classified as medium-priority. UNOPS management has made some progress in implementing these recommendations, and the implementation of all recommendations is on track for completion as per the set timelines. The Executive Board may wish to acknowledge that because the recommendations were issued to UNOPS in July 2016 and because many of them require long-term attention, UNOPS will need to work beyond the financial year 2016 to implement them successfully. UNOPS is presenting the specific responses to these recommendations in annexes 1 and 2.

III. Conclusion

12. UNOPS is pleased to respond to the report of the Board of Auditors for the year ended 31 December 2015. Based on the developments and improvements made since the end of 2015 and bearing in mind the high degree of dedication and commitment of all personnel, UNOPS is confident that all issues highlighted in the report of the Board of Auditors will be addressed in a satisfactory manner.

Annex 1

Implementation of the recommendations contained in the report of the Board of Auditors for the financial period ended 31 December 2015 (A/71/5/Add.11)

Table 1. Status of implementation of main recommendations

Department responsible	*Number of recommendations*	*Implemented*	*In progress*	*Target date set*	*No target date*
Communications and Partnership Group	1	–	1	1	–
Executive Office	1	–	1	1	–
Risk and Quality Group	4	1	3	3	–
Total	**6**	**1**	**5**	**5**	**–**

Table 2. Status of implementation of all recommendations

Department responsible	*Number of recommendations*	*Implemented*	*In progress*	*Target date set*	*No target date*
Communications and Partnership Group	1	–	1	1	–
Business Improvement and Innovation Programme	3	2	1	1	–
Finance Group and Executive Office	4	1	3	3	–
Risk and Quality Group	6	2	4	4	–
Infrastructure and Project Management Group	1	–	1	1	–
Total	**15**	**5**	**10**	**10**	**–**

1. **In paragraph 15, the Board recommended that UNOPS reassess the approved minimum level of operational reserves to take into account actuarial gains and losses previously incurred and the inclusion of Property, Plant and Equipment.**

2. **In paragraph 16, the Board further recommended that UNOPS consider how the reserve surplus might be utilized in the context of a strategic review of UNOPS operational resourcing needs.**

3. The current operational reserve balance includes $14.2 million in actuarial gains which are earmarked as a reserve for any future actuarial losses and another $4.5 million related to the unwinding of the transitional provisions of IPSAS 17: Property Plant and Equipment. After removing the impact of these two elements, a balance of $80.5 million remains. With the aim of utilizing a portion of this balance, a concept note has been approved setting out how the application for funding of investment projects that will be presented, approved, implemented and monitored. UNOPS is currently in the process of identifying such investment projects and their funding requirements.

Department responsible: Finance Group and Executive Office
Status: In progress
Priority: High
Target date: 30 September 2017

4. **In paragraph 24, the Board recommended that UNOPS review the adjustments it currently makes for the purposes of producing IPSAS-compliant statements and considers which, if any, it should conduct more**

regularly so as to further enhance the financial information provided to management during the year to inform decisions.

5. UNOPS has already reviewed the adjustments that it makes for preparation of IPSAS-compliant financial statements and has confirmed that they are being done on a sufficiently regular basis. The reports that feed into the preparation of IPSAS based financial statements are readily available and can be used for management reports that benefit from IPSAS-based information.

Department responsible:	Finance Group
Status:	Implemented/Closure requested
Priority:	Medium
Target date:	NA

6. **In paragraph 32, the Board recommended that, if adopted, the new Governance, Risk and Compliance framework be used to support the development of a Statement on Internal Control to bring together the structure of the processes and the assurances that underpin them.**

7. **In paragraph 33, the Board further recommended that UNOPS consider the implementation plan for the new framework, ensuring that it is sufficiently detailed, clear and realistic, incorporating sufficient training and communication plans, clear accountabilities and has clear linkage to other UNOPS initiatives.**

8. The governance, risk and compliance framework is a cross-cutting approach that is used to ensure that UNOPS has an organizational set-up that addresses all focus areas. There will be an annual statement on status and effectiveness of the governance, risk and compliance approach. The approach to internal control follows the same conceptual approach. As a result, there will be an annual statement on status and effectiveness of the internal control approach as part of governance, risk and compliance reporting.

9. The Board's comments on the ambitious timeline for the roll-out of the framework are duly noted. During 2016, the governance, risk and compliance framework was endorsed by the Executive Office. The Legislative Framework Committee for the governance, risk and compliance framework has been established and became operational in November 2016. The opportunity and engagement acceptance process, enhanced with the inclusion of a risk assessment, was launched in October. The quarterly assurance is slated to follow with a release date of 1 January 2017 in order to maintain the sequence in the roll-out with the opportunity and engagement acceptance process.

10. The Risk and Quality Group has conducted consultations and provided trainings (11 locations at the time of reporting) covering all regions. Training is undertaken in collaboration with training on oneUNOPS. In addition, WebEx sessions have been organized and guidance documents/learning materials are available on the intranet.

Department responsible:	Risk and Quality Group
Status:	In progress
Priority:	High
Target date:	31 December 2017

11. **In paragraph 38, the Board recommended that UNOPS ensure the certification of projects in line with the manuals is incorporated within oneUNOPS workplans to reinforce compliance.**

12. The workflow definition for certification of project has been completed and is expected to be incorporated in to oneUNOPS in the first quarter of 2017.

Department responsible:	Infrastructure and Project Management Group
Status:	In progress
Priority:	Medium
Target date:	31 March 2017

13. **In paragraph 44, the Board recommended that on receipt of the systems control and configuration report, UNOPS evaluate the recommendations made by the external consultant to consider whether it provides sufficient assurance and, in the event of any weaknesses, undertake a review to consider if and weaknesses have been exploited.**

14. The fraud risk assessment report was issued in October 2016. Following review of the assessment, several risks have already been addressed and the remaining are planned to be addressed over time based on their associated priority and urgency. Based on this information, this recommendation is now considered to have been addressed.

Department responsible:	Business Innovation and Improvement Programme
Status:	Implemented/Closure requested
Priority:	Medium
Target date:	NA

15. **In paragraph 48, the Board reiterated its previous recommendation that UNOPS obtain viable benchmark cost data to inform a review of the benefits arising from process improvements.**

16. **In paragraph 49, the Board recommended that future significant investments have a more robust analysis of process benefits and cost savings, in advance, to better inform the evaluation of a project's success and to inform future implementations.**

17. A preliminary benefits realization report was issued in June 2016, and a final benefits realization report is expected to be produced following closure of the Business Innovation and Improvement Programme. At that time an updated analysis of benefits realized will be produced which will take into account the entire programme duration as well as the first year of implementation.

18. Further, UNOPS is committed to undertaking a thorough cost-benefit analysis for all future internal projects. In this regard, it is working on establishing a new team within the Finance Group dedicated to evaluating the success of internal investment projects.

Department responsible:	Business Innovation and Improvement Programme
Status:	In progress
Priority:	Medium
Target date:	30 June 2017

19. **In paragraph 52, the Board recommended that a suite of key business reports and other critical reporting functions be agreed with users, to ensure that the benefits of oneUNOPS are being fully obtained.**

20. Over 100 reports tailored to the needs of UNOPS have been built and included in oneUNOPS thus far and more will be added and refined on a continuous basis, taking into consideration upcoming needs and feedback. Considering that business-critical report requirements have been substantially addressed and considering the ongoing nature of this need, this recommendation is deemed to have been addressed.

Department responsible:	Business Innovation and Improvement Programme
Status:	Implemented/Closure requested
Priority:	Medium
Target date:	NA

21. **In paragraph 58, the Board recommended that UNOPS use functionality of the oneUNOPS system to enable analysis of the value of its order book and to forecast future delivery and the management fee it will earn.**

22. The database has been created according to specifications. Quality assurance of the data and development of the order book dashboard are ongoing and scheduled to be completed in the fourth quarter of 2016.

Department responsible	Finance Group
Status:	In progress
Priority:	Medium
Target date:	31 December 2016

23. **In paragraph 63, the Board recommended that UNOPS strengthen its engagement acceptance and risk management processes, so they are sufficiently robust to support the assessment of new or novel lines of business.**

24. The revised opportunity and engagement acceptance process was launched in October 2016, whilst the quarterly assurance process will be updated in January 2017. The ERM framework is currently active, with the country/regional/corporate risk assessments to be rolled out in 2017, and other risk management processes are being aligned with the revised approach. The opportunity and engagement acceptance process enhanced with the inclusion of a risk assessment has been launched in October 2016. The quarterly assurance is slated to follow with a release date of 1 January 2017 in order to maintain the sequence in the roll-out of the process.

Department responsible	Risk and Quality Group
Status:	In progress
Priority:	Medium
Target date:	31 January 2017

25. **In paragraph 68, the Board recommended that UNOPS build on recent progress by becoming more structured in its approach to business development strategy across its network of offices, through training and knowledge-sharing and by applying tools and templates developed in headquarters.**

26. To address the recommendation, UNOPS has issued a guidance note defining responsibilities for business development across the organization. A business development network has been established to provide coordination, training and information throughout the organization. Renewal of all outreach plans has also been completed. Further, a strategy has been defined for each donor. A system for upgrading of market intelligence has been completed and key donor profiles have been updated. A draft strategy development template was developed together with colleagues in field locations and shared with several regions and hubs. Discussions with key partners have been elevated to a strategic level. A two-day business development meeting was organized in Copenhagen, attended by over two dozen UNOPS business developers from across the world, and the partnerships teams from New York, Washington, D.C., Brussels, Geneva and Nairobi. The meeting was an opportunity to further cement the aforementioned business development tools and plans, listen to the business developers about their key needs, issues and strategies and develop a rhythm for working together in 2017. The opportunity and engagement acceptance process and a new business intelligence tool using Microsoft Power BI were demonstrated from a partnership perspective, and 60 users in the field were granted access to the tool as a pilot to test its functionalities in cooperation with the Business Innovation and Improvement Programme.

Department responsible	Communications and Partnership Group
Status:	In progress
Priority:	High
Target date:	31 December 2016

27. **In paragraph 80, the Board recommended that to improve coordination within the United Nations system, UNOPS revise its engagement acceptance processes to include identifying where there is value in involving other United Nations partners with a substantive mandate.**

28. The revised opportunity and engagement acceptance process focuses on the identification of the service line and role as well as the engagement risks. The reviewer components have been strengthened by providing a more interactive platform to conduct reviews and involve other contributors while the guidance emphasizes the need to involve subject matter experts.

Department responsible	Risk and Quality Group
Status	Implemented/Closure requested
Priority	High
Target date	NA

29. **In paragraph 84, the Board recommended that UNOPS: (a) use the introduction of oneUNOPS as an opportunity to enforce offices' recording of leads earlier in their development; and (b) consider further steps to ensure adequate review time by the specialist reviewers.**

30. The revised opportunity and engagement acceptance was launched in October, including a revision of guidance for the Engagement Acceptance Committee. The revised guidance focuses on the need to record opportunities early, particularly where there may be high risks, and the importance of involving relevant subject matter experts early in the development. The revised opportunity and engagement acceptance process in oneUNOPS includes a revision of the reviewer format, which allows developers to engage reviewers directly.

Department responsible	Risk and Quality Group
Status	Implemented/Closure requested
Priority	Medium
Target date	NA

31. **In paragraph 88, the Board recommended that the proposed new risk and quality framework be used to involve the Engagement Acceptance Committee at the earliest stage in high-risk engagements, and uses the new framework to strengthen engagement acceptance processes and guard against non-compliance. The Committee's terms of reference should be reconsidered to ensure more formality around approval processes for higher-risk projects.**

32. The revised opportunity and engagement acceptance process in oneUNOPS includes notifications against the Engagement Acceptance Committee's criteria, which has been revised to be more concrete. Reviewers also support the identification of risks for escalation to the Committee. Furthermore, the Committee secretariat has undertaken an effort to analyse the submissions based on the risks in line with the risk and quality framework, thus supporting the Committee to make informed decisions. The engagement acceptance policy will be revised to reflect the improved process in accordance with the guidance provided by the Legislative Framework Committee.

Department responsible	Risk and Quality Group
Status	In Progress
Priority	High
Target date	31 December 2016

33. **In paragraph 90, the Board recommended that as part of its efforts to strengthen engagement acceptance processes, UNOPS take steps to prevent the practice of signing agreements without engagement authority, for example by amending the oneUNOPS system to prevent non-compliance.**

34. OneUNOPS will include the integration of delegation of authority, i.e., identifying the individuals authorized for each stage of the opportunity and engagement acceptance process, so as to facilitate the compliance for signature of agreements. The integration will take place in 2017.

Department responsible	Risk and Quality Group
Status	In Progress
Priority	High
Target date	31 December 2017

35. **In paragraph 95, the Board recommended that UNOPS: (a) conduct a comprehensive review of the pricing policy to consider how best to take risk into account in ways that are consistent, transparent and evidence-based; and (b) develop a policy for use of accumulated financial surpluses arising from "risk increments" received but not ultimately required.**

36. Implementation of a redesigned engagement acceptance process with detailed risk assessment has been completed. The pricing policy and most notably the risk increment calculation within it has been aligned to this systematic and evidence-based risk assessment. Implementation in oneUNOPS is scheduled to be finalized by 31 December 2016.

37. UNOPS has issued a revised policy on the management of its internal investment fund ('Investment Fund Concept Note') for channelling the surplus arising from unutilized risk increment charges to this fund. Furthermore, UNOPS is working on procedures for utilizing a portion of its surplus in the operational reserve in support of the 2030 Agenda for Sustainable Development. This will include both the use of resources to access private funds for development projects and contributions to the early stages of social impact investing initiatives.

Department responsible	Finance Group
Status	In Progress
Priority	Medium
Target date	31 December 2016

Annex 2

A. Comments on the status of implementation of the recommendations of the Board of Auditors for prior years

In the annex to its report for the financial period ended 31 December 2015 (A/71/5/Add.11), the Board of Auditors provided a summary of the status of implementation of recommendations for previous financial periods. Of the 43 recommendations noted from prior periods, 22 were fully implemented, 2 closed by the Board of Auditors and 19 were not implemented or under implementation. Information is provided below on the 18 recommendations that were under implementation and 1 recommendation that was yet to be implemented. The Executive Board may wish to recognize that, according to UNOPS' assessment, 10 of the 19 recommendations of the Board of Auditors relating to previous financial periods have now been implemented. The information below is set out in the order in which the recommendations are presented in annex 2 of the audit report. The table below summarizes the overall situation.

Status of implementation of recommendations from prior periods considered not fully implemented in the annex to the report of the Board of Auditors for the financial period ended 31 December 2015.

Department responsible	*Number of recommendations*	*Implemented*	*In progress*	*Target date set*	*No target date*
Business Innovation and Improvement Programme	2	1	1	1	-
Executive Office and Finance Group	1	1	-	-	-
Finance Group	1	1	-	-	-
Infrastructure and Project Management Group	3	1	2	2	-
People and Change Group	8	5	3	3	-
Risk and Quality Group	4	1	3	3	-
Total	**19**	**10**	**9**	**9**	**-**

B. Report of the Board of Auditors for the biennium ended 31 December 2011 (A/67/5/Add.10)

38. **In paragraph 48, the Board recommended that UNOPS: (a) draw lessons from its existing projects and consider measures to enable it to close projects in time; and (b) address the backlog of projects that need closure.**

39. The closure team closed 138 projects this year. The team is coordinating with the different business units to clear the remaining 54 old projects.

Department responsible:	Infrastructure and Project Management Group
Status:	In Progress
Priority:	Medium
Target date:	30 June 2017

C. Report of the Board of Auditors for the year ended 31 December 2012 (A/68/5/Add.10)

40. **In paragraph 31, the Board recommended that UNOPS establish a separate reserve account for after-service benefits in order to increase the visibility of funding provided for end-of-service liabilities**

41. A separate portfolio has been set up for post-employment benefits as of 1 January 2016.

Department responsible	Finance Group
Status	Implemented/Closure requested
Priority	Medium
Target date	NA

42. **In paragraph 44, the Board recommended that UNOPS: (a) appoint a fraud risk owner, or senior risk officer, at a suitably senior level, to be accountable for the active management of fraud risks throughout UNOPS activities; (b) perform a comprehensive organization-wide fraud risk assessment to identify the major types of fraud risk that UNOPS faces; and (c) define UNOPS tolerance to different types of fraud risk and ensure that fraud controls are commensurate with that risk-appetite.**

43. The Director of the Risk and Quality Group has been appointed and is accountable for active management for risk across UNOPS, including fraud risk. An organization-wide fraud risk assessment, including risk tolerances and assessment of controls, is ongoing and will be concluded in December 2016.

Department responsible	Risk and Quality Group
Status	In Progress
Priority	High
Target date	31 December 2016

44. **In paragraph 67, the Board recommended that UNOPS examine the extent of changes to agreements and the causes of delays in the completion of projects throughout its infrastructure portfolio.**

45. The quantitative analysis of a sample of project cost and time extensions has been completed in line with the feedback received from the Board of Auditors through the latest audit report for the year ended 31 December 2015.

Department responsible	Infrastructure and Project Management Group
Status	Implemented/ Closure requested
Priority	High
Target date	NA

46. **In paragraph 82, the Board recommended that UNOPS develop a mechanism to generate better information on the post-completion performance of buildings.**

47. Further to the activities undertaken in the previous year, UNOPS is currently awaiting feedback from the users of the monitoring and evaluation toolkit that will be included in the revised Design Planning Manual in the last quarter of 2017, as per the feedback received from the Board of Auditors through the latest audit report.

Department responsible	Infrastructure and Project Management Group
Status	In Progress
Priority	High
Target date	31 December 2017

D. Report of the Board of Auditors for the year ended 31 December 2013 (A/69/5/Add.11)

48. **In paragraph 34, the Board recommended practical steps be taken to implement enterprise risk management strategies, policies and procedures across the entity without further delay. Specifically, UNOPS should:**

(a) Identify, document and assess key risks to achieving strategic objectives;
(b) Regularly update and monitor risk information that can be aggregated at the entity level;
(c) Document risk tolerances so that they are understood and applied throughout the organization;
(d) Use risk registers to record the likelihood of a risk materializing, the impact of the risk, the proposed mitigating actions and the assessed level of risk post-mitigation;
(e) Assign risk owners to take responsibility for monitoring and controlling each risk.

49. A risk-based approach to decide on opportunities and engagements is operational since October 2016, accompanied by the launch of the ERM system. A systemic approach is in place to identify key risks at engagement, country, regional and corporate levels with reviews planned to take place every quarter from 2017 onwards. Risk tolerances will be documented, mitigation assessed and ownership clarified and allocated as the process is fully rolled out.

Department responsible:	Risk and Quality Group
Status:	In Progress
Priority:	High
Target date:	31 March 2017

50. **In paragraph 75, the Board recommended that the UNOPS Internal Audit and Investigations Group, in setting its work programme for 2015, and on the basis of the results of the fraud risk assessment undertaken in 2014, consider carrying out specific audit work to examine controls covering the risk of fraud in procurement.**

51. The organization-wide fraud risk assessment is currently ongoing and is scheduled to be concluded in December 2016.

Department responsible:	Risk and Quality Group
Status:	In progress
Priority:	Medium
Target date:	31 December 2016

E. Report of the Board of Auditors for the year ended 31 December 2014 (A/70/5/Add.11)

52. **In paragraph 26, the Board recommended that UNOPS review the basis of its directly attributable support costs and management fees to ensure consistency, equity and transparency in the light of the principles of the new pricing model. In particular: (a) ensure that reporting on the mine action projects reflect the scale of directly attributable support costs currently embedded in programme costs in addition to the management fees charged; and (b) review recovery rates on individual contractor agreements managed for partners to ensure that charge rates are equitable across partners and better reflect the actual costs incurred.**

53. The discussion with the Controller of the United Nations Secretariat on how to report the centrally managed direct costs has been concluded and a new regime has been implemented.

54. The UNOPS cost-recovery model differentiates between direct project cost (costing), which are all costs incurred for implementing a project, and indirect cost (pricing), which represents the fees collected to cover UNOPS core functions such as strategic leadership, representation, policy setting and United Nations governance and thus is not linked to the project's transactions. The fees are calculated as a percentage of the direct cost of providing the services agreed upon with the partners.

Department responsible:	Finance Group and Executive Office
Status:	Implemented/Closure requested
Priority:	High

Target date: NA

55. **In paragraph 36, the Board recommended that UNOPS reconfirm the level of expected savings arising from the implementation of enterprise resource planning and seek to obtain viable benchmark cost data to inform a review of the realized process cost benefits.**

56. A preliminary benefits realization report was issued in June 2016, and a final benefits realization report is expected to be produced following closure of the Business Innovation and Improvement Programme. At that time an updated analysis of benefits realized will be produced which will take into account the entire programme duration as well as the first year of implementation. It should be noted, however, that although some cost benefits are expected to be achieved during the first year, others will be realized over the medium term. In addition, a restructuring of the UNOPS information and communication technology (ICT) department was initiated in the fourth quarter of 2016, which may impact the overall ICT costs and potentially result in further cost savings.

Department responsible:	Business Innovation and Improvement Programme
Status:	In progress
Priority:	High
Target date:	30 June 2017

57. **In paragraph 39, the Board recommended that UNOPS further explore opportunities to improve business process efficiency by standardizing work practices and processes, delegations of authority and alignment of access rights to improvements in the internal control framework and based on the needs of the business.**

58. Details of the improvements and some of the process-related changes implemented were provided to the Board of Auditors during 2016. UNOPS has also adopted a process of ongoing improvement in consultation with its stakeholders to seek opportunities for increased process efficiency. The process of improvement will therefore be continual and ongoing.

Department responsible:	Business Innovation and Improvement Programme
Status:	Implemented/Closure requested
Priority:	Medium
Target date:	NA

59. **In paragraph 58, the Board recommended that UNOPS: (a) obtain feedback from practice groups on the performance of the People and Change Practice Group as a business partner; (b) manage and monitor the benefits of recent organizational reforms, including the Global Shared Service Centre; and (c) develop a measure covering the cost-efficiency of the human resources function, such as the human resources staff to workforce ratio.**

60. The group has obtained feedback on its performance from the other groups as acknowledged in the latest audit report. Due to the demands and challenges of the implementation of the new ERP system, the priorities of the group were focused on payroll and the benefits and entitlement administration processes. Therefore the implementation of the remaining elements of the recommendation is planned to be completed in 2017.

Department responsible:	People and Change Group
Status:	In progress
Priority:	Medium
Target date:	30 June 2017

61. **In paragraph 62, the Board recommended that the People and Change Practice Group, working with the other practice groups, collect and assess information on the knowledge and experience of its workforce to inform future skills and workforce planning.**

62. UNOPS identifies gaps in the skills of its existing workforce through the performance assessment mechanism and through the establishment of talent management pools of experts in different business-critical roles. UNOPS devotes resources to train its workforce in order to reduce skills gaps and has developed robust selection and management processes to identify, place, and rotate talents and form talent benches for the different business-critical roles.

Department responsible:	People and Change Group
Status:	Implemented/Closure requested
Priority:	High
Target date:	NA

63. **In paragraph 67, the Board recommended that UNOPS: (a) develop clear business-led criteria for assessing requests from personnel to change engagement terms from staff to an individual contractor agreement; and (b) monitor the impact of this policy on the workforce.**

64. UNOPS has established criteria to determine if a position warrants being on an individual contractor agreement or when such individuals reach the four-year mark as part of the functional review process. It is also applied to requests coming from staff contract holders who wish to switch to individual contractor agreements.

Department responsible:	People and Change Group
Status:	Implemented/Closure requested
Priority:	Medium
Target date:	NA

65. **In paragraph 70, the Board recommended that UNOPS monitor turnover rates as a result of resignations, to inform its workforce planning.**

66. UNOPS has reviewed the turnover caused by early resignations and separations in 2015 as acknowledged by the Board in its current report. UNOPS will continue to monitor and analyse turnover rates.

Department responsible:	People and Change Group
Status:	Implemented/Closure requested
Priority:	Medium
Target date:	NA

67. **In paragraph 75, the Board recommended that UNOPS: (a) fully test future business case assumptions to ensure they are supported by evidence and adequately reviewed; (b) closely monitor the impact of changes to terms for local individual contractors to ensure that the expected benefits are realized in practice; and (c) implement measures to address the very high turnover levels among international contractors, subject to careful analysis of the causes of turnover and characteristics of such positions.**

68. The first two parts of the recommendation have already been addressed by UNOPS as acknowledged by the Board in its latest report. For particular categories of international individual contractors, UNOPS has established talent benches, which among other things are expected to reduce turnover rates. For example, current project managers on international individual contractor agreements may qualify for inclusion in the talent bench and therefore are able to opt for available positions. This has a positive impact on career progression and job security. Regarding introducing further measures, UNOPS will consider whether the turnover levels among international individual contractors as a whole need to be reduced and if so, during the coming year will consider introducing additional measures if they are found to be cost-efficient. Considering the ongoing nature of these activities, UNOPS believes that the recommendation has substantially been addressed.

Department responsible:	People and Change Group
Status:	Implemented/Closure requested

Priority:	High
Target date:	NA

69. **In paragraph 81, the Board recommended that UNOPS implement a system for reliable reporting and analysis of recruitment processing times, covering the period from which a vacancy first occurs through to the post being filled.**

70. This is part of a new project to review the global personnel recruitment system functions currently scheduled to be completed in the second quarter of 2017.

Department responsible:	People and Change Group
Status:	In progress
Priority:	Medium
Target date:	30 June 2017

71. **In paragraph 88, the Board recommended that UNOPS evaluate the impact of its recent additional investment in training, including whether the type and distribution of training provided is addressing the gaps between current workforce skills and future business need.**

72. During 2016, funding for learning programmes was assigned based on key business priorities indicated by the different groups as gaps needed to be covered in terms of skills in order to respond to current and future business needs. During the first two quarters of 2016, data were collected on the participation of target audiences, geographical distribution, role and gender distribution and evaluation of quality. Additionally, a careful follow-up to ensure that funding is used to support the prioritized programmes was conducted in the second half of the year. UNOPS also has conducted the analysis of impact based on data collected from the learning programmes conducted during the year. Finally, UNOPS developed and rolled out a new competency framework during the second half of 2016. This new competency framework allows UNOPS to further align future learning with corporate strategies.

Department responsible:	People and Change Group
Status:	Implemented/Closure requested
Priority:	Medium
Target date:	NA

73. **In paragraph 101, the Board recommended that UNOPS review the merit award scheme to ensure that it is consistently aligned to the achievement of its objective of a break-even.**

74. Taking into consideration the Board's comment, UNOPS will review the recognition policy to ensure and reconfirm alignment between the programme and organizational goals in the coming year. This may not necessarily provide all required data to determine whether break-even takes place in monetary terms given the intangible benefits expected from the implementation of this policy.

Department responsible:	People and Change Group
Status:	In progress
Priority:	Medium
Target date:	30 June 2017

75. **In paragraph 106, the Board recommended that UNOPS establish clear deliverables to monitor the progress made in implementing the new enterprise risk management plan in accordance with the agreed timetable, seeking to prioritize key elements such as the identification of top-level strategic risks and mitigations.**

76. A complete implementation plan has been developed and endorsed by the UNOPS Executive Office as of April 2016. The target date by which the revised policies and concept notes will be reviewed and approved was endorsed by 30 June 2016.

Department responsible	Risk and Quality Group
Status:	Implemented/Closure requested
Priority:	High
Target date	NA